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# USURY LAW OF 1837.

## Practices and Experiences under the New-York Usury Law of 1837.

For years past, small borrowers have been in the practice of paying seventeen per cent. per annum, on mortgage of real estate, in this manner:

Some of our land associations and building mechanics, having small vacant lots on Long Island, in the vicinity of Brooklyn, worth $150 each, would borrow $100 on each, at the rate of seven per cent. per annum, then give a *deed*, as security, conditioned to come back on payment of the loan; then the borrower would hire, at *ten dollars per annum*, the lots that had just been deeded (*nominally*) to the lender. He had no use for said lots; but both parties go into these complicated transactions, as a *supposed* cover to the evasion of the usury laws, thus paying seventeen per cent. per annum.

Another way of pretended evasion is as follows:

A lawyer of my acquaintance received the sum of $10,000 from one of his clients in the country, during one of our pressures, to be loaned out upon some good real estate security, in New-York or Brooklyn. He soon found a customer who would take the amount. He gave a bond and mortgage at twelve months, to double the amount, drawing interest at seven per cent. per annum; then paid *one thousand dollars* fee for "making the searches." Thus the borrower paid *seventeen* per cent. per annum, in spite of the usury law. Since this occurrence, I find there have been hundreds upon hundreds of such instances; indeed, I have just been told by a Wall-street gentleman, who has been, the past twelve months, constantly taking money on mortgage, as an agent for other parties, that the very lowest bonus he has paid on a twelve months' mortgage, has been five per cent. on amount loaned, and from that up to ten and fifteen per cent.

The next mode we will notice, is where borrower and lender meet in some room, where they have a fictitious seller and a fictitious buyer of merchandise. The borrower wants to raise $800 in money, for three months. He purchases something of A., to the amount of $1,000, and gives his note for that amount, at three months, and then sells the same article, right there, on the spot, to B., for $800 cash. Thus he pays over eight per cent. a *month* for money.

As soon as the borrower is out of sight, the buyer and seller of mer-

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chandise restore things as they were prior to the introduction of their victim.

In one instance I was told of a poor segar manufacturer paying, in this way, $15 for the use of $50 for thirty days! He wanted the money to purchase some peculiar kind of tobacco, for fancy wrappers for a lot of segars, to be delivered within a certain time; and this loan secured him (gave the means of securing) a clear profit of $100. The lender said he could have given the money for a compensation of $2, but for the *usury law*.

One of the ways of evading usury laws in Wall-street, is for the borrower upon stock security to sell his stock to a lender, at the cash price of the day, and then buy it back immediately from the same party, upon thirty to sixty days' credit, at such additional price as will yield any rate of extra interest that may have been agreed on between the parties.

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This last mode of evading the law is getting so common, and is so easily seen through, that our money dealers are becoming more and more afraid of it, and, of course, charge *more* and *more*, to cover the *risks of illegality*.

Notes are being made here all the time, in a tight money market, and are being sold at from one to three per cent. a month; and thousands upon thousands of dollars are being loaned here, in a pressure, at one quarter per cent. *a day*. There are very many other ways in which the *pretended* evasion is carried on.

I say "*pretended*," because, under decisions of the courts, "no device or mental reservation" shall avail in defence, and where *both* parties *can* be examined under *oath* as witnesses, no lender upon usurious interest, either upon stock as above named, or in any other way, can save himself, unless there is some false swearing, or some departure from duty on the part of the prosecuting attorney, or on the part of the judge or jury. Illegal, demoralizing *dodging* has been practiced *somewhere* by *somebody*.

I cannot better illustrate the estimation in which the danger of legal entanglement is held, than to cite an instance which occurred not long since. The case was this: Some notes against a man of well-known wealth were known to have been issued for a *bona fide* purchase of property, and those notes were sold during a very tight money market, at ten per cent. per annum; whilst, on the same day, notes against the same man, supposed to be "made paper," to carry out an operation, were sold at *eighteen* per cent. per annum.

Thus we see that the man under the so-called "*protection*" of the usury law had to pay almost twice as much as the man paid who was

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